

May 6, 2005

Mary Rupp, Board Secretary
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

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MAY11 '05 PM 2:18 BOARD

Dear Mary,

As an employee/member of Central Minnesota Federal Credit Union (CMFCU), I am writing in response to NCUA's proposed changes in the definitions of construction and development lending as it pertains to regulation 723. These types of new regulations can hinder the business practices of our credit union.

Our credit union has been offering construction and development loans since our inception in 1938. We have not incurred any abnormal or excessive amounts of bad loans or business member loan charge offs. In fact, the member business loan charge off ratio is consistently less than our consumer loan ratio.

CMFCU requires a high level of experience to the lenders doing these types of loans (minimum 2 years experience). This just is another reason why if the employees are well trained and experienced in the specific field there should be no changes to our ratios for this type of loans.

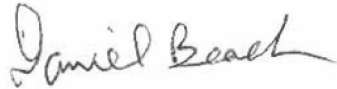
We are a community credit union serving a large-mainly rural-area. We deal with small businesses and commercial types of loans every day mainly because of our location and our reputation toward these types of members. If our credit union was located in a different type of area, like a metro area, we might feel differently about these new proposed regulations. More than likely, it wouldn't even be an issue with us in the right environment. But the reality is with a portfolio of 60% ag and commercial this new regulation would make many of these loans allocated towards the proposed 15% net worth limitations.

If a member does any kind of construction or development and uses a Home Equity Loan, Operating Line of Credit, Cash Out Refinance, Ready Reserve Loans or even a Credit Card, all of the balance would be considered toward our 15% limit. This would include a reroofing maintenance/improvement project calling for only 2% of the members Line of Credit to making the whole 100% of funds received to be allocated towards the 15% limit. There does need to be some kind of limitation set as to how this would affect our members/business loan opportunities.

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In closing, there is a certain type of risk with any loan-which is why lending institutions are required to have reserves. If the institution has set practices and hold true to them as we do here at CMFCU, the safety and soundness of this institution will not be compromised. Changes like the ones proposed to regulation 723, are not a one size fits all deal, and this particular proposal doesn't fit for us.

Respectfully,



Daniel Beach
Loan Officer, CMFCU